

## Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 IO-13 ISO-00 AID-05  
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02  
OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05  
SS-15 STR-04 CEA-01 AGRE-00 PA-01 PRS-01 L-03 H-01  
SSO-00 NSCE-00 INRE-00 USIE-00 /107 W  
-----192216Z 102874 /71

O P 192100Z JAN 77

FM AMEMBASY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 9686

INFO AMEMBASYLONDON IMMEDIATE

AMEMBASSY BOGOTA PRIORITY

AMEMBASSY ABIDJAN

USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY GUATEMALA

AMEMBASSY MEXICO

USMISSION OECD PARIS

AMEMBASSY SAO JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TANANARIVE

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD EAGR BR CO

SUBJECT: COFFEE: BRAZILIAN THINKING ON A SPECIAL ICO MEETING

REF: STATE 10493 (NOTAL)

1. SUMMARY. ACCORDING TO A BRAZILIAN FOREIGN MINISTRY  
OFFICIAL, BRAZIL HAS NOT THE SLIGHTEST IDEA OF ANY SPECIFIC  
PROPOSALS FOR A SPECIAL ICO MEETING. BRAZIL SEES THE  
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MEETING AS A "PUBLIC RELATIONS" EFFORT. IT DEFERS TO  
COLOMBIA FOR SPECIFIC PROPOSALS. IN OUR JUDGEMENT, BRAZIL  
MAY BE LESS WORRIED ABOUT THE MARKET SITUATION THAN COLOMBIA.  
THUS BRAZIL MAY NOT BE MOTIVATED TO DESIGN ANY  
SPECIFIC PROPOSALS DURING THE NEXT FEW WEEKS. END SUMMARY.

2. CONGEN RIO OFFICER SPOKE WITH IBC EXPORT DIRECTOR

BAUMGRATZ ON JAN 17 ABOUT BRAZILIAN PLANS FOR A SPECIAL ICO MEETING. ON JAN 18, EMBOFF DISCUSSED REFTTEL POINTS WITH A KNOWLEDGEABLE FONMIN OFFICIAL. THE QUESTION OF A POSSIBLE COFFE PURCHASE FROM THE MALAGASY REPUBLIC WAS ALSO DEALT WITH (SEE SEPTTEL, NOTAL).

3. THE FONMIN OFFICIAL SAID BRAZIL/SLONDON ICO REP, RAFAELLI, HAS PHONED EARLIER IN THE DAY TO SAY THE US PREFERRED A FEB 4 DATE BECAUSE ASSISTANTSECRETARY KATZ HAD PLANNED TO BE IN EUROPE FEB 2-5. THE OFFICIAL WAS ATTEMPTING TO REACH IBC PRESIDENT CALAZANS WHO WAS TRAVELING, TO OBTAIN APPROVAL OF THE DATE. BAUMGRATZ TOLD CONGEN RIO OFFICER THIS TIMING WAS ACCEPTABLE ALTHOUGH BRAZIL PREFERRED LATER DATES, FEB 14 OF FEB 7. BOTH OFFICIALS SAID THE GOB PREFERRED AN EXECUTIVE BOARD MEETING. THE FONMIN OFFICIAL WAS UNSURE WHETHER CALAZANS WOULD SEND AN IBC DIRECTOR, (E.G., BAUMGRATZ) AS HEAD OF BRAZIL'S DELEGATION OR WHETHER CALAZANS HIMSELF WOULD ATTEND. CALAZANS "PROBABLY WOULD ATTEND IF ASSISTANTSECRETARY KATZ DID. BAUMGRATZ STRESSED TO CONGEN RIO OFFICER THAT THE LEVEL OF REPRESENTATION WAS AN IMPORTANT INDICATION OF WHAT THE MEETING COULD ACCOMPLISH.

4. THE FONMIN OFFICIAL COMMENTED THAT BRAZIL WAS "UN-ENTHOUSIASTIC" ABOUT A SPECIAL ICOO MEETING BUT THIS "VEHICLE" SEEMED TO BE THE ONLY WAY TO DEFLECT COLOMBIA'S PROPOSAL FOR CONSULTATIONS CONFINED TO PRODUCERS, AT LEAST INITIALLY. COLOMBIA'S IDEA, THE OFFICIAL SAID, LIMITED OFFICIAL USE

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WOULD HAVE BEEN MISINTERPRETED -- CONSUMERS WOULD HAVE READ PRODUCER CONSULTATIONS AS AN ATTEMPT TO DRIVE COFFEE PRICES EVEN HIGHER. "THERE ALREADY IS ENOUGH SUSPICION ABOUT BRAZIL'S MARKETING POLICIES," HE SAID; PRODUCER CONSULTATIONS WOULD EXACERBATE "MISINTERPRETATIONS BY CONSUMING GOVERNMENTS."

5. AS FOR THE SUBSTANCE OF A SPECIAL ICO MEETING, THE OFFICIALS SAID THE GOB HAD NOT THE SLIGHTEST IDEA OF ANY SPECIFIC PROPOSALS. THE GOB VIEWED THE ICO MEETING AS A PUBLIC RELATIONS EFFORT TO CLARIFY THE COFFEE MARKET. IN THE GOB'S OPINION, THE OFFICIAL ASSERTED, COLOMBIA HAD IN EFFECT PROPOSED THE ICO MEETING, THUS COLOMBIA BORE THE RESPONSIBILITY FOR SPECIFIC INITIATIVES. EMBOFF OBSERVED THAT PRESIDENT LOPEZ MICHELSEN'S TELEGRAM TO PRESIDENT GEISEL MADE NO SPECIFIC REFERENCE TO AN ICO MEETING. THE OFFICIAL EXPLAINED AWKWARDLY THAT THE GOB HAD INTERPRETED LOPEX MICHELSEN'S PROPOSAL AS ENVISIONING A PRODUCER-CONSUMER MEETING FOLLOWING PRODUCER

CONSULTATIONS. UPON REFLECTION, THE OFFICIAL ALLOWED HOWEVER THAT HE WAS UNSURE THE COLOMBIANS REALIZED: (A) THAT BRAZIL CONSIDERED THE ICO MEETING A COLOMBIAN INITIATIVE RATHER THAN A JOINT INITIATIVE; AND (B) THAT BRAZIL WAS DEFERRING TO COLOMBIA FOR ANY SPECIFIC INITIATIVES. (LOPEZ MICHELSEN'S PRICE STABILIZATION IDEA, THE OFFICIAL JUDGED, WAS UNWORKABLE.) THE OFFICIAL ADDED THAT BRAZIL WILL ATTEMPT TO COORDINATE WITH OTHER PRODUCERS PRIOR TO A SPECIAL ICO MEETING IN ORDER TO ASSURE "COORDINATED PRODUCER VIEWS."

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SSO-00 NSCE-00 INRE-00 USIE-00 /107 W  
-----192215Z 102997 /71

O P 192100Z JAN 77  
FM AMEMBASY BRASILIA  
TO SECSTATE WASHDC IMMEDIATE 9687  
INFO AMEMBASY LONDON IMMEDIATE  
AMEMBASSY BOGOTA PRIORITY  
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6. THE FONMIN OFFICIAL NOTED THAT OF THE CENTRAL AMERICAN PRODUCERS, ONLY COSTA RICA FAVORED A SPECIAL ICO MEETING. UNLESS OTHER CENTRALAMERICAN PRODUCERS ENDORSE THE MEETING, ACCORDING TO THE OFFICIAL, THERE MIGHT NOT BE

ONE.

7. COMMENTING ON THE US CONSUMER BOYCOTT, BAUMGRATZ STATED THAT IT WAS TOO EARLY TO JUDGE WHETHER THE BOYCOTT WOULD BE EFFECTIVE. HE NOTED THAT THE US IS HAVING A SEVERE WINTER AND THIS ENCOURAGE COFFEE CONSUMPTION. LIMITED OFFICIAL USE

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ADDITIONALLY, NONE OF THE LARGE ROASTERS OR IMPORTERS WAS PARTICIPATING IN THE BOYCOTT. AS TO A PRESS REPORT (BRASILIA 340) IN WHICH IBC PRESIDENT CALAZANS CHARGED THAT CONGRESSMAN FREDERICK RICHMOND "HAD BEEN SEEN SPECULATING" IN COFFEE AT THE NEW YORK EXCHANGE, BAUMGRATZ MAINTAINED THAT CALAZANS HAD BEEN MISQUOTED. BAUMGRATZ HAD BEEN PRESENT AT THE INTERVIEW IN QUESTION AND CALAZANS MERELY SAID THAT A CONGRESSMAN (WHOM HE DID NOT NAME) HAD BEEN SEEN ON THE FLOOR OF THE NEW YORK EXCHANGE. BAUMGRATZ ADMITTED THAT THE VISIT WAS PERFECTLY UNDERSTANDABLE IN VIEW OF THE POSSIBLE CONGRESSIONAL HEARINGS.

8. REGARDING CURRENT MARKET CONDITIONS, BAUMGRATZ CONFIRMED RECENT PRESS REPORTS: EXPORT REGISTRATIONS HAVE FALLEN OFF SHARPLY SINCE THE DECEMBER 31 CONTRIBUTION QUOTA INCREASE; ALSO 1976 YEAR-END STOCKS WERE ABOUT 29.8-20 MILLION BAGS WITH 7.5 MILLION BAGS IN IBC STOCKS AND THE REMAINDER IN PRIVATE HANDS. IBC'S LATEST "GUESSTIMATE" FOR THE 1977 CROP IS 13 MILLION BAGS.

9. COMMENT: BAUMGRATZ'S COMMENT THAT US ROASTERS AND IMPORTERS WERE NOT PARTICIPATING IN THE BOYCOTT REFLECTS, IN OUR JUDGEMENT, A BASIC LACK OF UNDERSTANDING OF THE NATURE OF A CONSUMER BOYCOTT. SINCE BRAZIL LACKS EFFECTIVE CONSUMER GROUPS, BRAZILIANS SOMETIMES FIND IT HARD TO BELIEVE THAT THE BOYCOTT IS BEING LED BY DECENTRALIZED CONSUMER GROUPS AND NON-FEDERAL GOVERNMENT ENTITIES.

10. IN THE DISCUSSION WITH THE FONMIN OFFICIAL, EMBOFF DID NOT CONVEY THE FIRST TWO SENTENCES OF PARA 4 OF REFTEL PENDING A CLARIFICATION REQUESTED IN SEPTTEL (NOTAL). CRIMMINS

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## Message Attributes

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